



Initial Certifications & Annual Recertifications

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Presented by





Eligibility & Tenant Qualification Process

Income Eligibility
Full-time Students
Paperwork Requirements
Affects of Other Programs



- LIHC households must be *income eligible* which means....
 - Must have income at or below the elected income limit; and
 - Unit must be rent restricted at or below the elected rent limit.
- Also may be required to meet a *minimum income limit*...
 - NOT a program requirement but often a management requirement
 - Implemented to ensure household can afford rent

- Income limits based on household size
- Must count all who will reside in unit **plus**...
 - Unborn children
 - Children about to be adopted
 - Children living in unit 50% or more of the time
 - Children away at school but living in the unit during school recesses
 - Foster children/adults
 - Children away in foster care who will be returning
 - Temporarily absent household members
- *IFA Requirement:* Count individuals reasonably expected to live in unit in next 12 months
- Do **not** include:
 - Live-in attendants
 - Guests
 - Permanently absent household members
- Must also address household members on military deployment

- Excluded military deployed person & income **UNLESS**...
 - Head or co-head/spouse OR
 - Left a spouse or dependent in unit
- In those cases, must...
 - Count as household member
 - Include deployed person's income & assets

■ Examples...

- A deployed father leaves his child with his parents who live in LIHC unit
 - Father considered household member along with parents & child
 - Count father's income & assets even if not sending any money home
- A deployed woman leaves spouse & 2 children in LIHC unit
 - Still a 4-person household
 - Her income & assets are counted
- Adult son living with parents (not head/co-head) joins military & gets deployed
 - Household size reduced to 2-person household
 - Son's income & assets excluded

HUD & IRS encourages leniency to prevent ineligibility whenever reasonably possible

■ IFA indicates...

 Leniency can be applied on households that left minor dependent in unit

If guardian moves into unit to take care of child...

> Deployed individual & child may be considered non-household members & their income & assets excluded

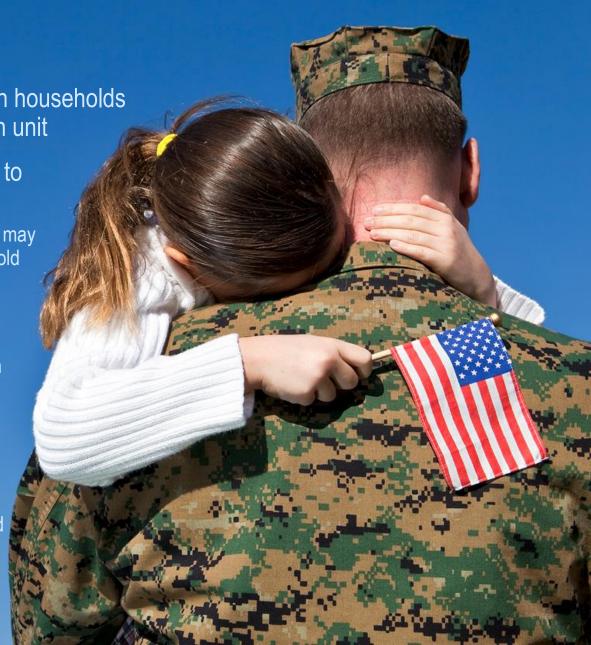
<u>OR</u>

The income of the guardian may be excluded

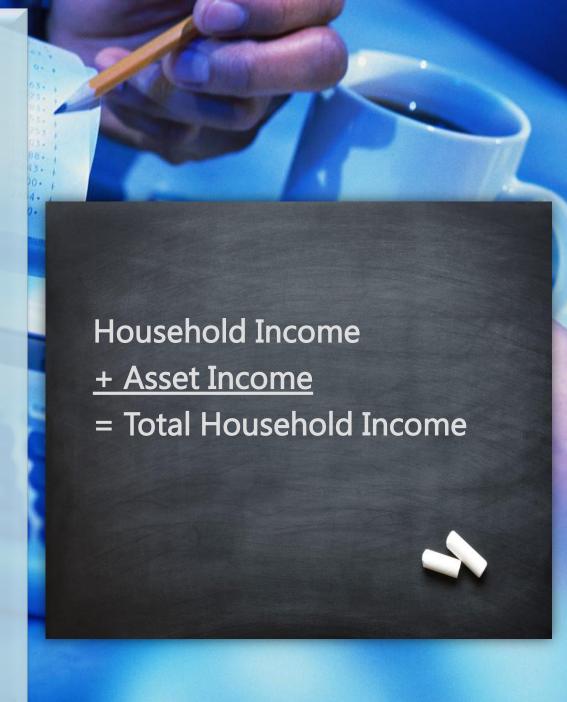
Only applies when minor dependents left in unit

 If spouse left, absent military member considered a head or co-head

Must count as member& including income/assets



- Once know household size must determine income eligibility by projecting household's anticipated income
- Start date is either...
 - Move-in date **or**Recertification effective date
- Project from start date 12 months into future... even if shorter lease term given!



 HUD Handbook contains list of income & asset types that must be included and excluded

First must know difference between *income* and *assets* even if it may seem obvious as calculate differently

Income: Items received on a regular, recurring basis

Verify gross amount before any deductions

Annualize over next 12 months

Asset: Items held in lump sums that are accessible

If asset not accessible... Exclude

• If accessible verify...

Fair market value

Any expenses incurred to convert to cash

Income asset will earn in next
 12 months (e.g., interest/dividends)





INCLUDED

- Employment ■ Social Security Payment i #350.3 REV-1 CHO-3 Alimor Re Exhibit 5-4350.3 REV-1 Exhibit 5-1: Income Inclusions and Exclusions 24 CFR 5.609(b) and (c) Examples included in parentheses have been added to the regulatory language for clarification commissions, fees, tips and bonuses, and other compensation for personal services or amortization of capital indebtedness shall not be used as deductions in determining net income An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (2) above. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD; The full amount of periodic amounts received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a **periodic amount (e.g., Black Lung Sick benefits, Veterans Disability, Dependent Indemnity Compensation, payments to the widow of a serviceman killed in action). See paragraph (13) under Income Exclusions for an exception to this paragraph:** Payments in lieu of earnings, such as unemployment, disability compensation, worker's compensation, and severance pay, except as provided in paragraph (3) under Income Exclusions; Welfare Assistance (a) Welfare assistance received by the family. (b) If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as
- Earnings in excess of \$480 of adult dependent full-time students

HUD Occupancy Handbook

Chapter 5: Determining Income & Calculating Rent

- When working with income, count...
 - Earned income of any household member 18+ or an emancipated minor
 - Unearned income of everyone.
- List of income types included & excluded contained in HUD Handbook's *Exhibit 5-1*

■ To calculate must anticipate income for next 12 months Annualize **current** income Include any **verifiable** changes in next 12 months Use gross amount before any deductions Multiple by # of pay periods in next 12 months If income won't last full 12 months... Calculate assuming current circumstances will last full 12 months **UNLESS** can verify maximum amount will receive in 12-month period After annualizing all income sources for each household member, add all incomes together to obtain household's total income

- When working with assets actually counting income generated from each asset rather than asset balances
- Must calculate asset income in 2 ways...
 - Actual asset income
 - Imputed asset income
- Once both calculated, must use greater amount in eligibility equation



INCLUDED

- Savings, checking, etc.
- Equity in real estate or other capital invest
- Stocks, bcr
- IRA & 41
- Reti

Exhibit 5-2: Assets

4350.3 REV-1

6/07

NOTE: There is no asset limitation for participation in HUD assisted-housing programs However, the definition of annual income includes net income from family assets.

- Net Family Assets include the following:
 - Cash held in savings and checking accounts, safe deposit boxes, homes, etc. For savings accounts, use the current balance. For checking accounts, use the average balance for the last six months. Assets held in
 - Revocable trusts. Include the cash value of any revocable trust available to the family. See discussion of trusts in paragraph 5-7 G.1.
 - Equity in rental property or other capital investments. Include the current fair market value less (a) any unpaid balance on any loans secured by the property and (b) reasonable costs that would be incurred in selling the

NOTE: If the person's main business is real estate, then count any income as business income under paragraph 5-6 G of the chapter. Do not count it both as an asset and business income

- Stocks, bonds, Treasury bills, certificates of deposit, mutual funds, and money market accounts. Interest or dividends earned are counted as income from assets even when the earnings are reinvested. The value of stocks and other assets vary from one day to another. The value of the asset may go up or down the day before or after rent is calculated and multiple times during the year thereafter. The owner may assess the value of these assets at any time after the authorization for the release of information has been received. The tenant may request an interim recertification at any time thereafter that a decrease in stock value may result in a decrease in rent.
- Individual retirement, 401K, and Keogh accounts. These are included when the holder has access to the funds, even though a penalty may be assessed. If the individual is making occasional withdrawals from the account, determine the amount of the asset by using the average balance for the previous six months. (Do not count withdrawals as income.)

Example - Withdrawals from a Keogh Account

Ly Pham has a Keogh account valued at \$30,000. When she turns 70 years old, she begins drawing \$2,000 a year. Continue to count the account as an asset. Use the guidance in paragraph 5-7 to determine the cash value and imputed income from the asset. Do not count the \$2,000 she withdraws as income

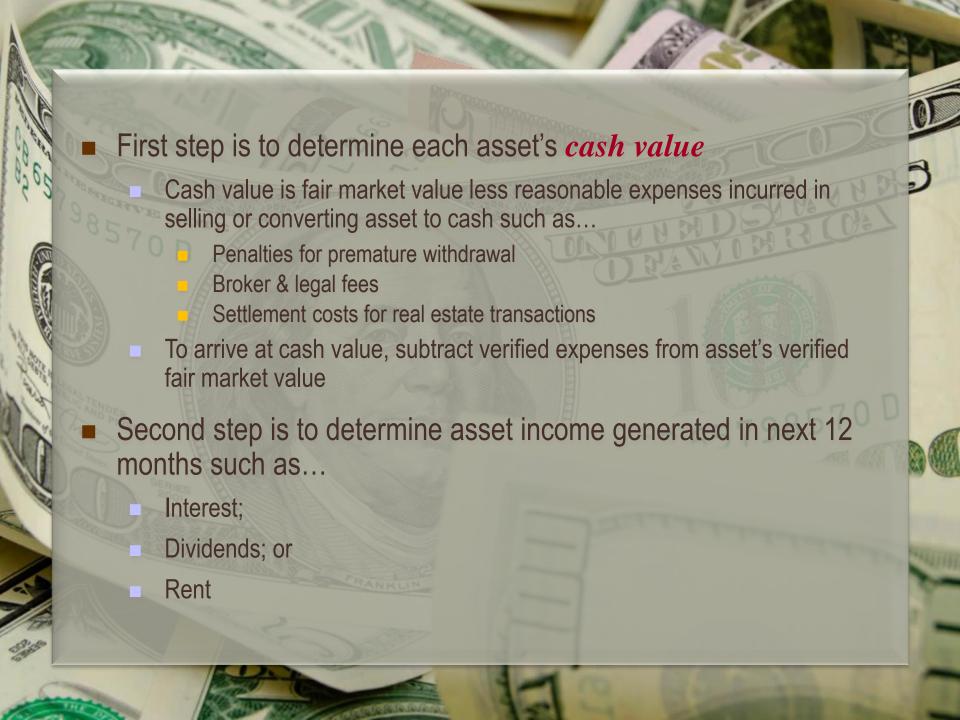
HUD Occupancy Handbook

assets, count everyone's assets regardless of age

When working with

■ Exhibit 5-2 contains a complete list of included & excluded asset types

Assets disposed of for FMV



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NOTE: The HOME Program
does NOT allow the use of this form,
however, may use when meeting the annual
self-recertification requirement during off years

- When verifying assets, if entire household's combined asset value is...
 - \$5000 or less, do not need to 3rd-party verify
 - Instead can allow household to certify combined asset total is \$5000 or less
 - Also must self-attest each asset's...
 - Current balance or FMV
 - Estimated income generated in next 12 months
 - IFA Requirement: If go this route, must use IFA's Under \$5000 Asset

 Certification form
 - Exceeds \$5000, must 3rd-party verify each asset's:
 - Fair market value
 - Expenses to convert to cash
 - Asset income generated in 12-month period

- Once all of household's assets verified whether 3rd-party verified or selfattested – and cash values calculated, must reflect figures on TIC and add together ...
 - Cash values to show household's total cash value
 - Actual asset incomes to come up with household's total actual asset income
- If total cash value is...

\$5000 or more:

- Must calculate household's imputed asset income
- Done by multiplying total cash value by HUD's Passbook Rate which is currently 0.06% (0.0006)

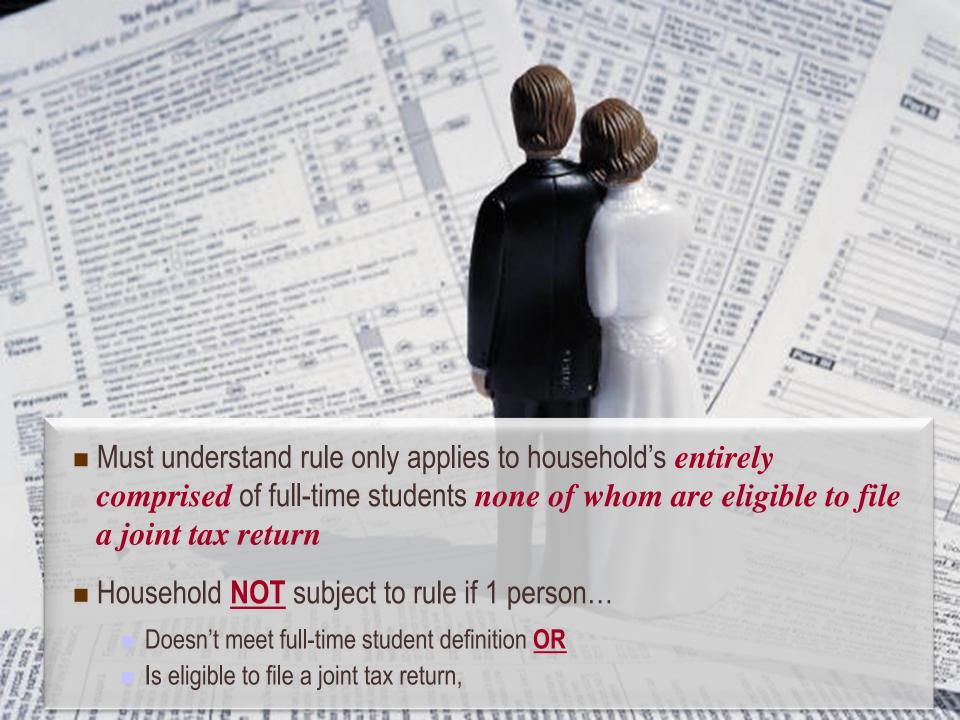
Under \$5000:

- Imputed asset income step is skipped
- Another way to look at this is to consider imputed asset income \$0.00
- Then complete income eligibility step by calculating *Total Household Income* which is Household Income + <u>greater</u> of actual asset income and imputed asset income and compare to applicable income limit
- For household to be income eligible, Total Household Income must be at or below income limit

Income & Asset Questions?







- Full-time student definition based on 3 parameters:
 - School attendance: Must attend5 months* out of the *property's*taxable year

* Note: Months do <u>not</u> need to be consecutive nor full months.

- Hours attending: Full-time is based on school's definition
- School: Must be regular educational institution or organization.
- All 3 must be met for student to be deemed full-time
- Apply 3-part definition to each household member



- If household entirely comprised of fulltime students none of whom can file a joint tax return, household must meet 1 of the following exemptions to be eligible...
 - Receive assistance under Title IV of Social Security Act which is TANF
 - Contain a household member that was previously in foster care
 - Contain a household member that is enrolled in a job training program receiving assistance under *Job Training* Partnership Act (JTPA) or under other similar state or local program
 - Be a single parent household with the parent not claimed on anyone else's tax return and the child or children not claimed on anyone else's return except one of the parents.



- Must document each household's student status
- Don't think it is obvious... document!

■ IFA Requirements...

- If person indicates he is a full-time student, only necessary to verify if he also wants to be eligible for \$480 income limitation
- Part-time status must be verified if this status is only reason household is being considered a non-full-time-student household
- All households must complete IFA's **Student Status Certification** form which serves both LIHTC & HOME properties
 - *If HOME only*... Complete pages 1-2
 - If LIHTC only... Complete page 3
 - If both... Complete entire document

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Instructions for Use: Pages 1 and 2 are to be used when qualifying a household for eligibility with the <u>HOME program</u> . Page 3 pertains to eligibility with the <u>HOME program</u> . You must use all three pages of the document if you are qualifying a tenant for a unit that is both a HOME a little program. You must not all three pages of the document if you are qualifying a tenant for a unit that is both a HOME a little page. The household must qualify under both programs in order to be eligible SCOUDLY a HOME/AHTC unit.						igibility with a HOME and be eligible to		
If "YES)," sign and return 5," and list all stude lete PART 3 and 4 a	ents in the ta	ble below			essary. dent or their parent/s	guardian com	plete PART 2.
	Student Na	me	Age		ducational	Date Range Attend		ll or Part-time
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Applicant/	Resident Signatu	re	Date		Applicant/R	esident Signature	D	ate
	Resident Signatu Resident Signatur		Date			esident Signature esident Signature		Date

 If full-time student household, verify & document applicable exemption

	Exemption	Documentation
	Household member entitled to file a joint tax return	Copy of joint tax return or marriage certificate
١	2. Household receives TANF	TANF award letter from appropriate agency.
	Household member previously in foster care	Foster paperwork from the placing welfare agency
	4. Household member in a job training program similar to JTPA	Verification of participation in program from applicable administrator. NOTE: Workforce Investment Act (WIA) replaced JTPA If non-WIA program, need proof Program obtains government funding and Has a mission similar to JTPA
	5. Single parent household with appropriate dependency status	Copy of tax return(s) indicating dependency status of all household members including minors. If not available, a signed affidavit may be

obtained.



Full-Time Student Questions?

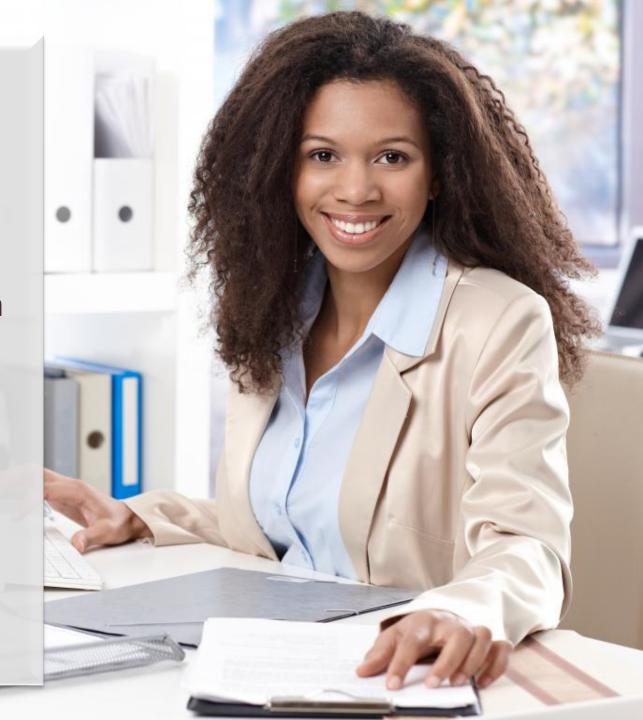


- When household applies, it must complete an application for residency
- IFA does <u>not</u> mandate a specific rental application but does have one
 - If choose to use IFA's application, it may not be modified
 - If use own, must have every adult member of household complete IFA Compliance

Questionnaire

自占 鱼齿 (YES) (NO) (YES) (NO) IFA Rev 08-31-2015

- Once completed, must verify each eligibility item
- In general IFA prefers 3rd-party verifications which are:
 - Written documents sent directly by the source; and
 - Authentic & verifiable documentation provided by the applicant or tenant





WOTEKSHEET

Required number of paystubs

Pay wage cycle:	# of stubs to cover 2 months:
Weekly	9
Bi-weekly	5
Semi-monthly	4
Monthly	2





■ In order of preference, IFA looks for the following when verifying **employment**...

1. Employer provided...

- Verification completed by employer delivered directly from source or by household **AND**
- 2 months of <u>consecutive</u> paystubs dated within 120 days of effective date.

2. Work Number or other database provided...

- Applicable information from database AND
- 2 months of <u>consecutive</u> paystubs dated within 120 days of effective date
- If a disparity exists between items... Must also obtain affidavit from household member clarifying disparity

3. If unable to obtain either 1 or 2...

- Need affidavit from household member as to his income AND
- 2 months of **consecutive** paystubs dated within 120 days of effective date **AND**
- Documentation that shows efforts to obtain 3rd-party verifications



Preferred verification for other income sources:

- 1. Social security benefits letters, unemployment letters, asset statements, and similar documentation
- 2. Verification forms completed by a 3rd-party



- 3rd-party verifications completed by source can be delivered by...
 - Mail
 - Fax or Email: Should contain company name, fax # or email address, and name of person providing information.
 - Internet: Website should be viewable on computer & address should be included when printed
- Applicant/Tenant-provided 3rd-party verifications are likely to be handdelivered so review provided documentation to ensure current, complete & unaltered

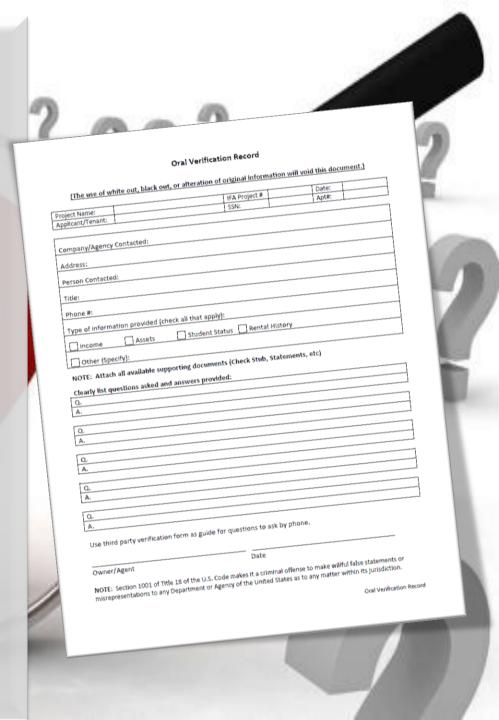


 For most part, verifications must be dated no more than 120 days prior to effective date of certification they support

■ IFA Requirement:

- Annual benefit letters from fixed income sources such as Social Security or pensions can be used even though older than 120 days
- But does not apply to SSI due to frequent changes

- Review verifications for completeness, dates & accuracy
- Clarify with source if...
 - Not complete
 - Confusing or cryptic or
 - Causes discrepancy with other information received
- Do <u>not</u> write on verification form itself rather document clarification using a form such as IFA's sample *Oral Verification Record* and clearly indicate...
 - Name, title & contact information of person spoke with
 - Clarifying questions asked & answers received





No... Nos

- If must make changes to form, don't use white-out instead...
 - Cleanly cross through item
 - Neatly write in change
 - Initial
 - If change to applicant/tenantcompleted form... Have applicant/tenant initial
 - If lease or other legal document... both tenant & management initial
 - If change involves 3rd-party source, use IFA's Oral Verification Record to document
 - If applicant/tenant or verifying source used white-out to make change, contact that individual to clarify that is what occurred
- Never backdate paperwork containing dates!!!

If qualified, summarize information on IFA's Tenant Income

Certification

Required form

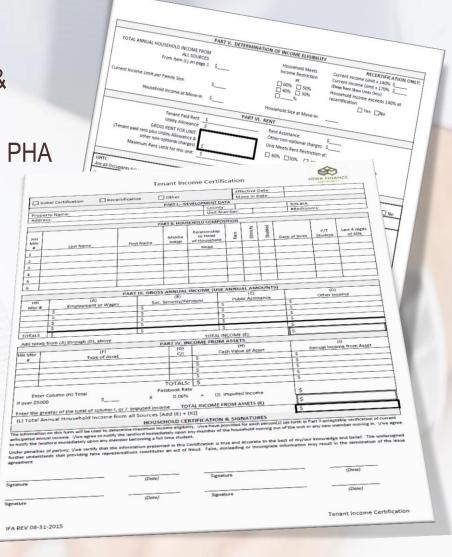
Signed by all adult household members & property representative

Only exception... May use 50058 from PHA

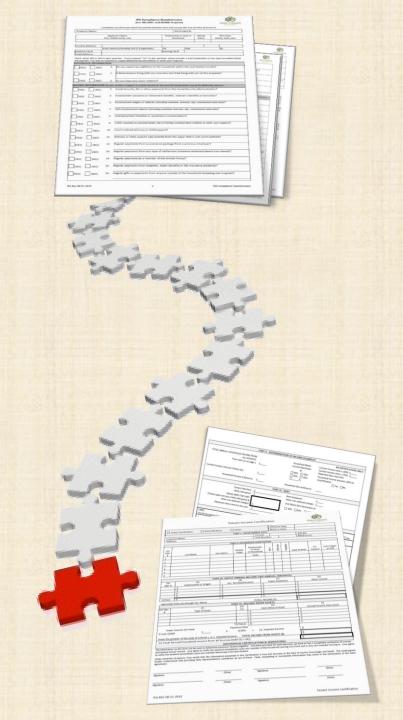
when voucher holder applies

■ IFA Requirements:

- TIC typed or completed in pen <u>not</u> pencil
- Corrections neatly crossed out & correction added
- Never obtain signed blank as is fraud
- Always date signature on date obtained... no backdating even if completing late recert!
 - Effective date can be backdated BUT NOT household signatures
 - Also include statement indicating from household that the information on TIC was was true & correct as of effective date



- Important to understand must have *clean paper trail* from application or IFA Compliance Questionnaire to TIC
- Do not assume auditors will arrive at same conclusion or understand household's scenario as well as you so...
 - Need to have appropriate verification(s) for every income, asset or other eligibility item listed on TIC
 - If any items listed on application or questionnaire are not included on TIC, must have documentation in file as to why
 - Also good idea to show how income/asset figures were calculated
 - Calculator tape
 - Calculation worksheet



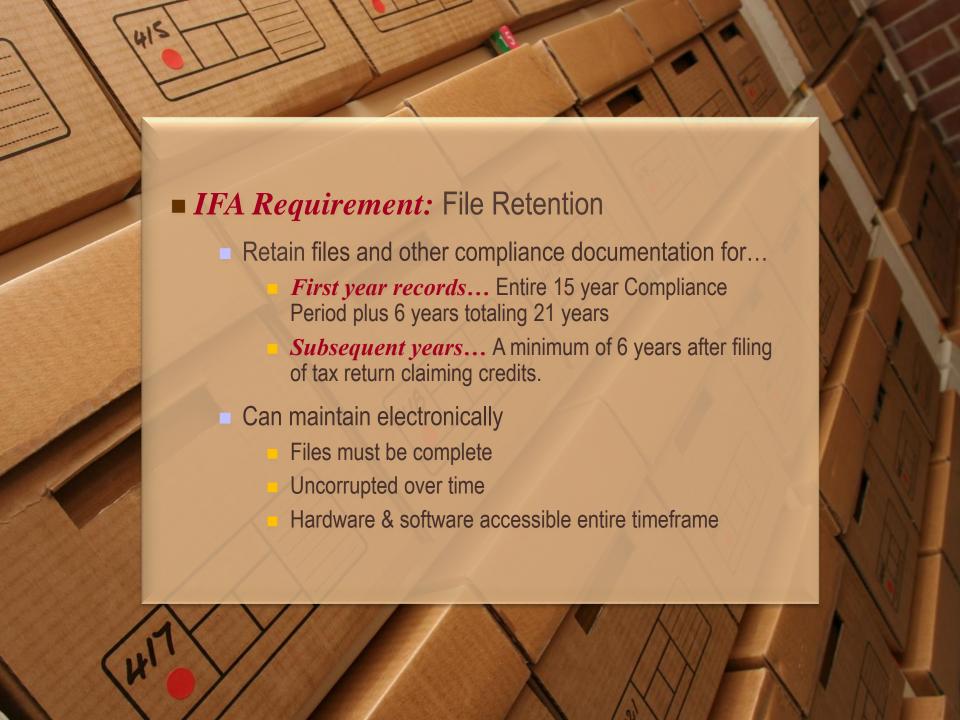
- All eligibility documentation must be placed in tenant file
- Files should be maintained in consistent order
- IFA Tenant File Order Requirement:
 - Initial Certifications...
 - IFA TIC signed by each adult
 - Income & asset verifications including IFA Zero Income Certification & Under \$5,000 Asset Certification if applicable
 - Student Status Certification & any necessary exemption verifications
 - IFA Application <u>OR</u> your application with an IFA Compliance Questionnaire completed by each adult household member
 - Executed lease & renewals
 - Consent to release forms
 - Recertifications...
 - Ordered by year from most recent to oldest
 - Mixed-Income or 100%... Student Status Certification
 & any necessary exemption verifications
 - Mixed-Use... Same as initial cert except no application but instead IFA Compliance Questionnaire completed by each adult household member
 - If desire a different file order, must get approval from IFA Compliance Officer and keep it on file



To differentiate types of LIHTC properties, IFA uses the following terms consistently in this manual in Mind.

Mixed-use: a project with LIHTC and non-LIHTC

Mixed-income: a 100% LIHTC project with state covenant set-asides at lower income limits than federally required.



Paperwork Questions?





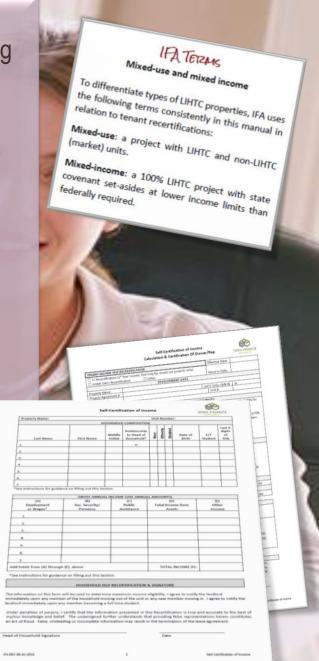


- Annual Recertifications (ARs) performed to determine household's continued eligibility
- At recertification, household must...
 - Continue to meet full-time student rule and
 - Be income qualified however income rules change
- Federal requirements indicate ARs must be...
 - Performed each year household remains in unit
 - Completed by anniversary of initial effective date
 - Supported by verifications dated within 120 days before effective date

■ IFA Requirement:

- Can do earlier but never later than anniversary date
- Example:
 - Household moves in on July 15, 2015
 - AR must be completed no later than July 15
 - But can move <u>earlier</u> to meet other requirements

- In 2008, Federal program rules changed no longer requiring ARs on 100% properties but many properties...
 - Coupled with other programs with different requirements
 - Governed by state agency or investor with more restrictions
- Must follow these more restrictive requirements
- *IFA's Requirements:* Based on property type
 - *Mixed-Use:* Complete full recertification of all LIHC units
 - **Deep-Rent Skewed (even if 100%):** Complete full recertification of all LIHC units
 - 100% Properties:
 - Mixed-Income: Complete full recertification of all LIHC units satisfying state set-asides
 - **LIHC/HOME:** Complete full recertification of all LIHTC/HOME units satisfying state set-asides
 - LIHTC Only: Complete IFA's Student Status
 Certification only & obtain student-related verifications
 - If must complete full recertification...
 - Must use IFA Compliance Questionnaire
 - Verify all eligibility items





Additions to Household

- Beyond ARs, must also process adjusted certifications if new members added to existing qualified households
- Must be completed on all property types

■ IFA Requirement:

- New member must complete Student Status Certification & IFA Compliance Questionnaire
- Verify eligibility information & add to most recent TIC
- Household is considered same household which means income eligibility rules change
- As only verifying new member's information, must keep AR effective date same as before addition

Recertification income eligibility rules change

At Federal level...

- Household's income is allowed to increase up to 140% or 170% if deep-rent skewed property of the property's *minimum set-aside* income limit
- If household's income increases beyond this %, household invokes *Available Unit Rule* (*AUR*) but such households continue to be treated as LIHC-qualified as long as AUR correctly followed
- Failure to follow Federal AUR results in reportable noncompliance

At State level...

- Many states have additional restrictions on income increases at recertification often tied to income increases beyond the set-aside income limit attached to unit
- Such requirements differ from state to state
- Failure to follow state requirements will result in state-level noncompliance which is not reportable to IRS but is subject to state-imposed penalties
- If state implements additional restrictions must follow BOTH Federal AUR and state restrictions



■ IFA does impose additional restrictions specifically on state-elected set-aside units

■ IFA Requirements:

- These units subject to recertification even if 100% property
- If household living in such a unit has income that exceeds its set-aside, household is deemed "over-income"
- Unit mix must be restored
- Important to note difference between IFA rule & Federal rule
 - IFA AUR rule... Household exceeds set-aside limit
 - Federal AUR... Household exceeds 140% or 170% of minimum set-aside limit





- When determining if household invokes IFA AUR, simply compare current set-aside income limit for household's size to household's recertified income
- If household's income is...
 - Equal to or less than the current set-aside limit: No action need be taken as household continues to meet state-specific set-aside requirement
 - Greater than the current set-aside limit: Unit mix must be re-established



- To understand when Federal AUR invoked, must understand minimum set—aside as not invoked until household's income is over 140% or 170% on deep-rent skewed project of project's minimum set-aside income limit
 - Every property has 1 minimum set-aside which owner elects credits
 - 3 election options:
 - 20 / 50
 - 40 / 60
 - 25 / 60 (NYC only)
 - First # indicates minimum % of qualified units
 - Second # indicates income limit restriction

- When determining if household invokes Federal AUR...
 - Start with minimum set-aside income limit rather than income limit attached to unit
 - Determine current income limit for household size
 - Multiple by correct %... (i.e., 140% or 170% if deep-rent skewed)
- *Example*: Recertifying a 4-person household living in a 40% state-set-aside unit that is living in a mixed-use but not deep-rent skewed property

Facts:

- Elected minimum set-aside: 40/60
- Elected state set-asides: 30%, 40% & 50%
- Current 4-person 60% income is \$32,700

Steps:

Multiple \$32,700 x correct AUR % to arrive at the recertification limit

$$$32,700 \times 140\% = $45,780$$

- Determine household's income
- Compare to recertification income limit

If household's income is...

- **Equal to or less than recertification limit:** Federal AUR not invoked & household continues to be treated as a LIHC household
- Greater than recertification limit: Household invokes Federal AUR and rule must be correctly followed for unit to maintain LIHC status & to remain in compliance

- When IFA AUR invoked, must re-establish elected unit mix by replacing overincome unit with another unit BUT also maintain promised units at each state-specific set-aside
 - Replacement unit must be comparably sized
 - Anywhere in <u>project</u>
 - When such unit comes available, rent it to household eligible at the set-aside that the over income household originally met
- Once done...
 - Over-income household may be re-designated at a set-aside appropriate for its income
 - Rent may be raised to new rent limit based on that set-aside



■ *Example:* Recertifying a 4-person household living in a 40% 2-BR unit that is living in a 20-unit 100% property that has additional state set-asides of 30%, 40% and 50%.

Facts:

- Elected minimum set-aside: 40/60
- **Unit Mix:** 3 units at 30%; 3 units at 40%; 3 units at 50% and 11 units at 60%
- **Current 4-person limits:** 30% = \$16,350; 40% = \$21,800; 50% = \$27,250 and 60% = \$32,700
- Household's income at recertification: \$26,820

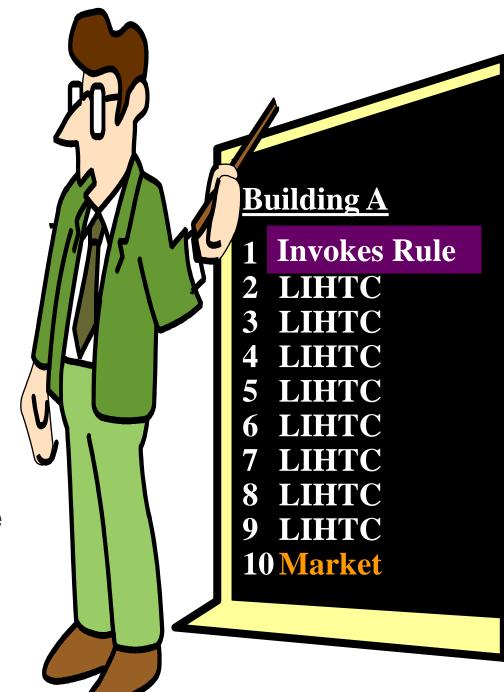
Steps:

- As 40% household is over 40% income limit, unit mix must be restored
- Over-income household should be re-established as 50% unit as that set-aside is more aligned with its income
- When next 50% or 60% comparably sized (2 BR) unit anywhere within project becomes available, fill it with qualified 40% household and charge no more than 40% rent
- Once new household moves in, rent can be raised on over-income household to 50% rent amount relabeling unit as 50% LIHC
- **NOTE:** If 60% unit used to re-establish unit mix, may want to do adjustment again to keep property's cash flow as would now have 4 50% units and only 10 60% units
- Also since this household's income increase was not 140% over the minimum set-aside income limit, the Federal Available Unit Rule was not triggered

WILL FOLLOW THE RULES I WILL FOLLOW

- If that household (or any other household) would have an income increase that was over the applicable % of the current minimum set-aside income limit, the Federal AUR would also be invoked
- To correctly follow the Federal AUR...
 - 1. Continue to charge AUR-invoking household LIHC rent
 - 2. Rent any *comparable or smaller sized* units that are or come available in *same building* to qualified households
 - 3. Continue to do 1 & 2 until building's applicable fraction is re-achieved without counting AUR-invoking unit
- Quite simply, just like with IFA's state requirement, ultimately looking to replace invoking unit with non-LIHTC unit

- To understand Federal AUR better, let's illustrate
- Example: Mixed-use property comprised of:
 - 1 building of 10 units
 - All units are 1000 SF
 - 9 units are LIHC & 1 unit is Market resulting in a 90% applicable fraction
 - Household in Unit #1 invokes the Federal AUR





Continue to charge household in Unit #1 LIHC rent

 Rent any comparable or smaller sized units that become available in this building to qualified households

- Must continue to rent such units to qualified households until building's 90% fraction re-attained not counting Unit #1
- As all units are same size, all are comparable
- If Units #2 through #9 come available...
 - Must fill with qualified households as LIHTC units and don't want to lose status
 - After re-filling, whereas It maintains compliance it does not satisfy the Federal AUR as building's fraction is not 90% without counting Unit #1
 - Therefore AUR still invoked
- However, if Unit #10 came available and was filled with a qualified household, 90% fraction would be re-attained without counting Unit #1 satisfying the Federal AUR

 When done, can change Unit #1 to Market and raise rent to market after giving proper notice

Building A

- Market
- 2 LIHTC
- 3 LIHTC
- 4 LIHTC
- 5 LIHTC
- 6 LIHTC
- 7 LIHTC
- 8 LIHTC
- 9 LIHTC
- 10 LIHTC

vacant





- Simplified scenario as was 1 building and all of units were exactly same square footage
- The rule gets slightly more complicated when have different sized units as there is a comparable or smaller size component to rule
- Plus, remember rule is applied on building-basis so it only affects units in building that contains AUR-invoking household which means very important to know what constitutes a building on your property!

- By default, all buildings are separate projects, unless owner maked special election on *Line 8b of IRS Form 8609*.
- Election allows owner to decide if property should be treated as multi-building project instead
- project with multiple

 huildings

 b Are you treating this building as part of a multiple building

is 1-building project

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instructions)?

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- Also need to examine 100% buildings as all units LIHC so no units to replace with AUR-invoking unit
- Rule still applies but can't be satisfied until AUR-invoking household is no longer over income or moves out & qualified household moves in
- As long as re-rent any vacated units to eligible households, AUR is followed and any AUR-invoking units remain in compliance



 However if 100% property has no other elected set-asides (e.g., deep-rent skewing or state covenants), no ARs are required

■ IFA Requirement:

- If inadvertently move in ineligible household, must demonstrate due diligence measures are in place
- If can't, property subject to Federal AUR noncompliance which is reportable to IRS
- IFA defines lack of due diligence as:
 - Several over-income move-ins
 - Lack of basic verification processes
 - No dual file reviews prior to move-in

Income Increases at HOME Recertification

If Low HOME household's income increase above 50% but less than 80% HOME income limit... Next comparable High HOME unit must be rented to qualified Low HOME household and re-designated accordingly

■ If any HOME household's income increases above 80% HOME limit...

Fixed HOME units...

 Raise rent to 30% of adjusted income as per lease & proper notice requirements

■ If LIHC/HOME, rent capped at LIHC max rent

 If Low HOME unit, rent next available High HOME unit to a Low HOME qualified household

■ Floating HOME units...

 Raise rent to lower of 30% of adjusted income or market as per lease & proper notice requirements

 If LIHC/HOME, rent is capped at LIHC max rent

 Must restore Low/High HOME unit mix by renting next available unit anywhere in project to HOME-eligible household

 Once replaced, over income HOME unit may be treated as non-HOME



Questions?

